



Department of Justice

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WILMINGTON COUPLE CONVICTED OF LOAN FRAUD SCHEME INVOLVING OVER \$1.5 MILLION IN LOSSES

Jury Finds Defendants Guilty on 14 Counts of Fraud and Illegal Monetary Transactions

David C. Weiss, United States Attorney for the District of Delaware, announced today that Ed Johnson, age 60, and G. Carol Johnson, age 67, of Wilmington, were both found guilty by a federal jury yesterday of one count of conspiracy to commit mail and wire fraud, 10 counts of mail and wire fraud and one count of engaging in an illegal monetary transaction. Mr. Johnson was also convicted individually of one additional mail and wire fraud count. The jury also found that \$1,549,598.78 is subject to forfeiture by Mr. and Mrs. Johnson, as that amount represented the proceeds of their fraud. The conspiracy and mail and wire fraud counts are punishable by a maximum term of 30 years imprisonment and a maximum fine of \$1,000,000. The count of engaging in an illegal monetary transaction is punishable by a maximum term of imprisonment of 10 years and a fine of not more than twice the amount of the criminally derived property involved in the transaction.

Beginning in 2003 through 2007, Mr. and Mrs. Johnson engaged in a multi-year loan fraud scheme, operating initially through MERL Financial Group and later through Heritage Capital Credit Corporation and Independent Capital Credit Corporation – all companies controlled by Mr. and Mrs. Johnson. As part of that scheme, the defendants fraudulently collected large fees totaling \$1,549,598.78 from at least 21 different sets of victims, including a number of churches. The victims, who were seeking funding for a variety of building and development projects, were told by Mr. and Mrs. Johnson that if they paid these large fees, the defendants' companies would arrange for them to receive loans for these projects. However, at the time the defendants made these promises, they had no source of funding available, nor was this funding imminently available. When promised loan closing dates came and went with the victims receiving no money, the defendants continued to attempt to collect additional fees from the victims and to make misrepresentations regarding their ability to fund loans. Ultimately, none of the 21 sets of victims ever received a loan through the defendants and their companies.

As part of their scheme, the defendants told victims that the victims had to pay application fees, loan commitment fees, closing costs and appraisal fees – at times totaling over \$300,000 per victim – in order to receive their loan. With respect to the appraisal fees, in some instances the defendants hired an appraisal company to work on the victim's project, but the defendants wrongfully retained the fees they had collected for appraisal work and never paid the appraisal company. At other times, victims paid appraisal fees to defendants, yet the defendants never even hired the appraisal company to complete work on that victim's project and instead kept the money for themselves.

The evidence at trial demonstrated that in significant part, Mr. and Mrs. Johnson spent the victims' money on luxury items for themselves and their family. These purchases included over \$66,000 of jewelry and clothing at stores such as Tiffany and Company or Saks Fifth Avenue. The defendants also spent over \$44,000 of victim monies at restaurants and distributed victim funds to their children in various ways.

United States Attorney David C. Weiss said "The defendants used Delaware as the launching pad for a nationwide financial fraud scheme, in which they wrongfully took money from victims living all over the country. These victims, including some from the Delaware Valley, suffered financially and emotionally losing thousands of dollars and their dreams of success. We are pleased with the jury's guilty verdict and will continue to help the victims attempt to recover funds from the defendants."

The case was investigated by Special Agent Peter Gangel of the Federal Bureau of Investigation's Wilmington, Delaware office. It was prosecuted by Assistant United States Attorneys Lesley F. Wolf and Christopher J. Burke.

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